



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-9000

THE GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

April 29, 1999

99-14

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Soldiers' and Sailors' Civil Relief Act

Effective immediately, Ginnie Mae implements its authority to reimburse issuers for interest shortfalls on loans in connection with (1) the April 27, 1999 call up by the President under the authority set out in 10 USC § 12304 related to the Kosovo crisis, and (2) the call up pursuant to Executive Order 13076 for service in Asia.

Provisions of the Soldiers' and Sailors' Civil Relief Act ("SSCRA") permits the maximum interest rate of six percent on mortgage debt. Issuers must lower the interest rate to six percent during the borrower's active duty. Upon the release of the borrower from active duty, the mortgage interest rate returns to the original contract rate, or the current rate, where applicable.

To receive a reimbursement of interest, the issuer must demonstrate that the mortgagor meets the criteria for interest forgiveness in accordance with the SSCRA and provide the necessary documentation to support the amount of the interest to be paid, as noted below.

A. Eligible Mortgages

The issuer must receive a written request from the single-family or manufactured home mortgagor stating that the mortgagor is a member of the United States Military Reserves or National Guard and was called to active duty, or from someone with authority to make the request on the service member's behalf (e.g., spouse or attorney). The mortgage must be the contractual obligation of the service member as mortgagor or co-mortgagor.

Issuers must maintain the request and appropriate records in the mortgage loan file, and a copy in the related pool file for review by Ginnie Mae or its agent. The issuer is required to determine the ongoing applicability of the SSCRA and the interest

rate forgiveness. Issuers must verify and document the following Military Service Information when making a determination of the applicability of the SSCRA:

1. date on the Induction Order for entry into military service (activation date) and the date of the mortgage obligation (date of mortgage obligation must pre-date date of call up);
2. rank, branch of service, and service number; and
3. pay grade, base service pay, and family allotment.

Issuers will be required to have loan eligibility approved by Ginnie Mae before making a request for reimbursement. For each mortgage, the issuer will be required to submit SSCRA loan eligibility information both in hard copy and electronic form before submitting a request for reimbursement (see Attachment B). For mortgagors having served in multiple efforts, the issuer must submit loan eligibility information for each military effort. The issuer will be able to generate a hard copy and the data file for electronic transmission of the SSCRA loan eligibility information using the Issuer Information System (see Section D below for instructions). The issuer will receive written approval that the loan is eligible for the reimbursement payments.

B. Monthly Pool Accounting

Each loan subject to the SSCRA must continue to be accounted for on the HUD 11710A report, Issuer's Monthly Accounting Report ("Report"). Attachment A to this memorandum provides complete details for reporting payments on eligible loans. The following is a highlight of those instructions.

Under no circumstance may issuers change the Fixed Installment Control ("FIC") in Section 1, "Pool Administration", of the Report for any loan on which the interest rate was reduced pursuant to the SSCRA.

The issuer has the option to either account for the interest reduction by the "Non Interest Buydown Method" or the "Interest Buydown Method." Under the Non Interest Buydown Method, the issuer chooses to lower the interest rate on an eligible loan without changing the scheduled principal amortization schedule, in the absence of any instructions to the contrary from the Federal Housing Administration ("FHA"), the Department of Veterans Affairs ("VA"), the Rural Housing Service of the Department of Agriculture ("RHS"), or the Office of Public and Indian Housing ("PIH"). Under this method, the only effect on the Report will be to reflect actual interest collections at the lower six percent rate.

As to the Interest Buydown Method, the issuer treats the loan as an interest buydown, reflecting interest collections on the Report at the original interest rate and the difference between the two rates is treated as an interest buydown.

Under either option, issuers must maintain a subsidiary record by pool level for each eligible loan that makes payments at the lower rate authorized by the SSCRA. The record must reflect the pool number, the FHA/VA/RHS case number, the issuer internal loan number and a monthly reconciliation between the actual loan payments and the payments (and the FIC) reflected on the Report. The issuer must retain an original or copy of the record that will permit representatives of Ginnie Mae at any reasonable time to examine, audit, or request the referenced information.

Issuers are reminded that the difference between the payment due on the eligible loan at the original interest rate and at the rate permitted by the SSCRA are not considered advances by the issuer, and therefore, cannot be funded by excess funds, as defined in the Ginnie Mae Guides, or by any other funds in the pool P&I custodial account. These payment shortfalls are not permitted by the SSCRA to be collected by lenders at a later date from the borrower. **THE SHORTFALL MUST BE FULLY FUNDED EACH MONTH OUT OF THE ISSUER'S CORPORATE FUNDS** and deposited into the P&I custodial account no later than the 15th day or the 19th day of the month in which the payment is due for Ginnie Mae I or II, respectively.

C. Submission of Request for Reimbursement

Issuers will only be allowed to submit requests for reimbursement on a quarterly basis. Requests for reimbursement are to be submitted on or after August 10, November 10, February 10, and May 10, which coincide with the month following the quarterly loan level cycle. A request for reimbursement must be submitted both in hard copy and via diskette, or electronically to PriceWaterhouseCoopers ("PWC") through Ginnie Mae's Bulletin Board System ("BBS") (see Attachment C). The request must be submitted using the format provided by Ginnie Mae. The issuer will be able to generate a hard copy of the SSCRA Quarterly Reimbursement Request and a data file for electronic transmission using the Issuer Information System ("IIS"). If the hard copy request submitted is not identical with the electronic submission, except for the signature, the reimbursement will not be made until the issuer has corrected the submission.

D. Soldiers' and Sailors' Civil Relief Act Ginnie Mae Reimbursement Instructions

Currently, Ginnie Mae is enhancing its issuer pool and loan reporting software package, the IIS, to facilitate the SSCRA interest reimbursement approval and request process for these new efforts. The enhanced IIS software, along with detailed release notes and instructions, will be distributed to all issuers currently utilizing the IIS software no later than May 17, 1999. For those issuers not currently utilizing the IIS software, a copy of the software may be requested by contacting the Ginnie Mae Hotline at 1-888-GINNIE4, Option 2. The software, which is provided to Ginnie Mae issuers free of charge, will capture the required SSCRA data items and generate the SSCRA loan eligibility information and the SSCRA loan eligibility

information data file(s) and hard copies that are required to be approved before a reimbursement request may be processed. Additionally, the IIS will generate the SSCRA Quarterly Reimbursement Request data file and the hard copies that are required to be submitted to initiate the quarterly reimbursement process.

If you have any questions regarding this memorandum, or if you need assistance with the SSCRA program, please contact the Ginnie Mae Hotline at 1-888-GINNIE4, Option 4.

Attachments

Attachment A

Soldier's and Sailors' Civil Relief Act Monthly Accounting Report Procedures

This Attachment provides issuers with instructions on how to prepare form HUD 11710-A, "Issuer's Monthly Accounting Report", to account for loans subject to the Soldiers' and Sailors' Civil Relief Act ("SSCRA"). Issuers have the option to use either the Non Interest Buydown Method or the Interest Buydown Method. A subsidiary record must be maintained for each eligible loan where payments are accepted at the lower rate authorized by the SSCRA.

A. Non Interest Buydown Method

1. Section 1, Line A. Do not change the previously reported Fixed Installment Control ("FIC") in either Sections 1 or 1-A.
2. Section 1, Line B.1. "Installment Collections", "Pool Interest". Show the amount of interest actually collected at the reduced rate.
3. Section 1, Line C. "Other Pool Interest". Enter the difference between the interest due at the loan contract rate, and the reduced rate provided by the SSCRA.
4. Section 1A, Block A. See instruction for Item A.1. above.
5. Section 1-A, Block B. The interest amount shown in the block must be the interest rate due at the loan contract rate.
6. Liquidations (form HUD 11710-E).
 - a. Interest due. For an eligible loan, use the interest rate to which the loan has been reduced. In the month a loan is removed from a pool, the amount of interest shortfall (the difference between the loan contract rate and the reduced rate provided by the SSCRA) must be shown in Section 1, Line C ("other interest") on form HUD 11710-A. Interest due at the reduced rate will be entered on Section 1, Line B.3.
 - b. Principal remitted. Use the mortgage constant at the original note amortization rate.

B. Interest Buydown Method

1. Section 1, Line A. Do not change the previously reported Fixed Installment Control (FIC) in either Sections 1 or 1-A.
2. Section 1, Line B.1. "Installment Collections", "Pool Interest". Show the amount due at the original contract rate.
3. Section 1-A, Block A. See instructions for Item B.1. above.
4. Section 1-A, Block B. The interest amount shown in this block must be the interest rate due at the loan contract rate.
5. Liquidations (form HUD 11710-E). No change to instructions for loans not subject to the SSCRA.

C. Maintaining Subsidiary Records

Under either option, issuers must maintain a subsidiary record, by pool level, for each eligible loan where payments are accepted at the lower rate authorized by the SSCRA. The record must show the pool number, the FHA, VA or RHS case number, and the monthly reconciliation between the actual loan payments and the payments (and the FIC) shown on form HUD 11710-A. The issuer must retain an original or copy of the record that will enable representatives of Ginnie Mae, at any reasonable time, to examine, audit, or request the referenced information.

BY: _____
Authorized Signature Telephone Number (include Area Code)

Printed Name Date: _____

Title

The above information must be submitted and approved by Ginnie Mae prior to submitting a request for reimbursement. Please submit this information to Government National Mortgage Association, c/o PricewaterhouseCoopers, ATTN: Pool Reporting Group- SSCRA, 12902 Federal System Park Drive, Fairfax, VA 22033-4412.

SSCRA QUARTERLY REIMBURSEMENT REQUEST

Issuer Name: _____
 Issuer Number: _____
 Issuer Contact Name: _____
 Telephone Number: _____
 Quarter Ending: _____

CASE NUMBER	POOL NUMBER	NOTE INTEREST RATE	DIFFERENCE BETWEEN NOTE RATE AND 6%	DUE DATE OF COLLECTION RECEIVED	TOTAL PAYMENT RECEIVED (P&I ONLY)	AMOUNT OF INTEREST DUE AT NOTE RATE	SCHEDU PRINCI APPLIE LOAN
1.							
2.							
3.							
4.							
5.							
TOTAL							

I hereby certify that I have verified and documented that the above borrower(s) is entitled to the interest rate forgiveness under the Soldiers' and Sailors' Civil Relief Act.

By signing this request, I hereby certify that the information contained herein and electronically transmitted is true and accurate to the best of my knowledge and belief.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

BY: _____

(Authorized Signature)
(including Area Code):

Telephone Number

(Printed Name and Title)

Date: _____

This form must be received by Government National Mortgage Association, c/o PricewaterhouseCoopers, Attn: Pool Reporting Group - SSCRA, 12902 Federal Systems Park Drive, Fairfax, VA 22033-4412.